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News

A Closer Look

Divvying Up DVDs
Jack Robertson

Tokyo - Right now there are precious few movie titles for DVD players. But there is plenty of real-life drama to be had as U.S. and Japanese DVD contenders jostle for market position.

Japanese semiconductor companies are eyeing DVD as a means of driving chip sales. But the first Japanese DVD chip sets include up to seven different devices at a cost that is a little higher than what consumer electronics OEMs are comfortable with. Highly integrated one-chip or two-chip solutions are needed to get the price down to attractive levels.

Several U.S. companies, including ATI Technologies Inc. and C-Cube Microsystems, have unveiled single-chip DVD decoders and drivers. But Japanese DVD producers aren't rushing to sample the Yankee chips. In fact, Japan Inc. seems to be making it as hard as possible for the U.S. device companies to break into the DVD chip market.

Roger Mathus, executive director of the Tokyo office of the Semiconductor Industry Association, said that independent chip makers seeking a license for the Japanese-developed DVD encryption standard are required to license technology for an entire DVD product.

"Vertically integrated Japanese electronics companies already have the encryption rights for chips as part of their overall DVD system," Mathus said. "An independent American chip company, however, is penalized heavily by being forced to license the entire DVD product design even though it is only the chip encryption algorithm that they need," he said.

Mathus said Japanese companies are trying to block foreign chip suppliers from the DVD market until their own semiconductor divisions can come up with competitive single-chip products.

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The DVD encryption standard developed by Matsushita Electric Industrial Co. Ltd. and Toshiba Corp. is still a sticking point, despite a much-touted industry agreement last year.

Debate still rages over whether the code can be easily broken, negating any copyright protection. Also at issue are copyright safeguards that block retransmission of DVD content over the Internet.

Meanwhile, Japanese PC companies are hoping to get a jump on the computer market by introducing the first models with the DVD-ROM drives produced by sister divisions. So far this hasn't been much of an advantage because software on DVD-ROM disks is almost nonexistent.

The development of the DVD is becoming the industry's longest-running soap opera. Stay tuned.

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